

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 246674

44

ORIGIN EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 L-03 /058 R

DRAFTED BY EUR/WE:JWSWIHART:NLS

APPROVED BY EUR/WE -REBARBOUR

EB/IFO/OIA: TBRODERICK (INFO)

L/EB:SBOND

----- 012625

R 170002Z OCT 75

FM SECSTATE WASHDC

TO AMEMBASSY ROME

INFO AMCONSUL GENOA

LIMITED OFFICIAL USE STATE 246674

E.O. 11652: "N/A

TAGS: BBAK, ELAB, IT

SUBJECT:TORRINGTON CASE

REF: ROME 14460

1. DEPARTMENT HAS ADVISED TORRINGTON PRESIDENT O'CONNELL OF POINTS MADE BY LAURITI TO EMBASSY RE POSSIBLE GOI ASSISTED OFFERS TO BUY TORRINGTON'S GENOA PLANT OUT AND CONSEQUENCES OF COMPANY'S INTENTION TO REMOVE ITS EQUIPMENT FROM ITALY. O'CONNELL EXPRESSED A DESIRE TO MEET PERSONALLY WITH DEPARTMENT OFFICERS (TENTATIVELY ON OCTOBER 22)IN WASHINGTON TO REVIEW ENTIRE PROBLEM.

2. THOUGH NOT ABLE TO GIVE DEFINITIVE ANSWER TO POINTS MADE REFTEL WITHOUT FURTHER THOUGHT, O'CONNELL'S INITIAL REACTION WAS DECIDEDLY NEGATIVE. HE RECALLED THAT TORRINGTON HAD BEEN LOSING ABOUT \$100,000 A MONTH "FOR YEARS" IN

LIMITED OFFICIAL USE

PAGE 02 STATE 246674

TON HAD BEEN LOSING ABOUT \$100,000 A MONTH "FOR YEARS" IN

ITALY -- AN AMOUNT IN EXCESS OF THE GENOA SUBSIDIARY'S ENTIRE WORTH. HE SAID THAT THAT ABOUT 60 OF THE PLANT'S OUTPUT WAS EXPORTED TO MARKETS OUTSIDE ITALY, AND THAT AN ITALIAN COMPETITOR AS ENVISAGED BY GOI IS NOT ACCEPTABLE SINCE IT WOULD SERIOUSLY AFFECT TORRINGTON'S OVERALL MARKET POSITION. TORRINGTON IS PRESENTLY BESEIGED BY A

LARGE GERMAN COMPETITOR OPERATING FROM A SINGLE, EFFICIENT LARGE-SCALE PLANT LOCATED IN THE FRG; AS WELL AS BY RECESSION-DAMPENED WORLD DEMAND. IN ORDER TO IMPROVE ITS COMPETITIVE POSITION, TORRINGTON MANAGEMENT INTENDS TO CLOSE ITS GENOA MONEY LOSER, AND USE EQUIPMENT THEREFROM TO EXPAND CAPACITY AT ITS FIVE OTHER PLANTS (TWO IN US, ONE EACH IN CANADA, UK AND BRAZIL) TO PUT THEM ON MORE ECONOMIC BASIS. BY ACQUIRING DEPRECIATED MACHINERY FROM GENOA FOR THIS EXPANSION PROGRAM, TORRINGTON COULD AVOID PAYING INFLATED 1976 PRICES FOR NEW EQUIPMENT. (O'CONNELL IMPLIED THAT TORRINGTON IS IN DIFFICULT FINANCIAL STRAITS WORLDWIDE AND COULD THUS ILL AFFORD TO CARRY OUT THE EXPANSION PROGRAM PLANNED TO RES-ORE PROFITABILITY IF IT HAD TO INVEST IN NEW EQUIPMENT.)

3. O'CONNELL RELATED THAT ON THE RECOMMENDATION OF ITS LEGAL ADVISERS IN ROME (BAKER-MACKENZIE), TORRINGTON'S PRESENT "GAME PLAN" IS TO SIT TIGHT FOR TWO OR THREE WEEKS AND THEN "PRECIPITATE ACTION" BY INITIATING A LAWSUIT AIMED AT BREAKING-UP THE ILLEGAL PLANT OCCUPATION AND THUS ALLOW DISMANTLING AND REMOVAL OF TORRINGTON MACHINERY. IF THE GOI SEEKS TO PREVENT THE EXPORT OF TORRINGTON EQUIPMENT, HE SURMISED, THE COMPANY WOULD PROBABLY CARRY ITS CASE TO THE COURTS. THERE, LEGAL ADVISORS BELIEVE, GOI WOULD FIND LITTLE SUPPORT UNDER ITALIAN LAW FOR ANY ACTION TAKEN AGAINST THE COMPANY AND ITS RIGHT TO LIQUIDATION AND CONTROL OF ITS ASSETS.

4. THROUGHOUT CONVERSATION WITH O'CONNELL, HE GAVE THE IMPRESSION THAT HE DOES NOT FIND DONAT CATTIN'S POSITION CREDIBLE, I.E., THAT AN EXPROPRIATIONARY MOVE AGAINST A FOREIGN INVESTOR IN ITALY WOULD HAVE SUCH A CHILLING EFFECT ON THE OVERALL INVESTMENT CLIMATE THAT IT WOULD NOT LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 246674

BE WORTH THE CANDLE. FURTHER, HE NOTED THAT POTENTIAL BUYERS (MENTIONING CONDOR S.P.A.) HAVE ALREADY SURVEYED THE PLANT AND WERE NOT AT ALL INTERESTED IN TAKING ON THE LABOR BURDEN AND HE DOUBTED THAT DONAT CATTIN COULD FIND ANYONE WILLING TO DO THE JOB WITH OR WITHOUT SUBSIDIES FROM THE GOI. O'CONNELL SEEMS TO REALIZE, HOWEVER, THAT BY TELLING THE WORKERS THEIR JOBS WILL BE SAVED DONAT CATTIN HAS PUT HIS POLITICAL PRESTIGE ON THE LINE.

5. ALSO APPARENT FROM O'CONNELL'S REMARKS WAS THE IMPRESSION THAT IF THE GOI MOVES IN THE DIRECTION SUGGESTED BY DONAT CATTIN, TORRINGTON WILL INCREASINGLY LOOK TO THE USG TO SAFEGUARD ITS RIGHTS UNDER EXISTING TREATY OBLIGATIONS BETWEEN ITALY AND THE UNITED STATES.

6. IN REPLY TO LAURITI, EMBASSY SHOULD SAY THAT DEPARTMENT HAS PASSED MINISTRY'S VIEWS TO TORRINGTON MANAGEMENT AND HAS NOT RECEIVED DEFINITIVE REPLY, THOUGH INITIAL REACTION DECIDEDLY NEGATIVE.

7. FYI. DEPARTMENT HAS HAD EXTENSIVE DEALINGS WITH TORRINGTON, PRINCIPALLY CONCERNING ITS OPERATIONS IN PORTUGAL, AND THE COMPANY'S MANAGEMENT IS WELL AND FAVORABLY KNOWN AS A RESPONSIBLE GROUP SENSITIVE TO LOCAL REALITIES. THE COMPANY'S ASSESSMENT OF THE PROBLEMS OF ITS ITALIAN PLANT SEEM TO US TO BE MANAGERIALLY SOUND AND WE CANNOT SEE HOW THE GOI CAN INSIST THAT TORRINGTON LIQUIDATE ITS INVESTMENT, AFTER HUGE LOSSES, ON UNFAVORABLE TERMS. IF IT IS POLITICALLY ESSENTIAL FOR DONAT CATTIN TO PRESERVE THE PLANT, THE ONLY SOLUTION THAT APPEARS ACCEPTABLE AND FAIR TO TORRINGTON WOULD BE FOR THE GOI TO SOMEHOW DEVISE A SUBSIDY FORMULA WHEREBY TORRINGTON WOULD BE ABLE TO OPERATE IN ITALY IN THE BLACK, AT LEAST FOR A WHILE, AS SUGGESTED IN PARA 6 OF REFTEL. END FYI. KISSINGER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LABOR DISPUTES, INDUSTRIAL PLANTS, BANKRUPTCIES, BUSINESS FIRMS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE246674
Document Source: CORE
Document Unique ID: 00
Drafter: JWSWIHART:NLS
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750360-1077
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751046/aaaabpgq.tel
Line Count: 141
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 ROME 14460
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2003 by ShawDG>; APPROVED <17 OCT 2003 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ORRINGTON CASE
TAGS: BBAK, ELAB, IT, TORRINGTON CORP
To: ROME
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006